

Message Text

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UNCLAS SECTION 1 OF 2 SEOUL 6555

E.O. 11652: N/A
TAGS: BEXP, KS
SUBJECT: COUNTRY COMMERCIAL PROGRAMS-KOREA PRELIMINARY
CONTRIBUTIONS FOR FY-1980

REF: (A) STATE 002688; (B) SEOUL 5527

FOLLOWING ARE PRELIMINARY CONTRIBUTIONS WITH RECOMMENDED
CAMPAIGNS AND SPECIAL POST EFFORTS FOR FY-1980 COUNTRY
COMMERCIAL PROGRAM:

1. CAMPAIGNS.

1) METALWORKING AND FINISHING MACHINERY. PRIORITY 1.
IN ITS CURRENT FIVE-YEAR ECONOMIC DEVELOPMENT PLAN
(1977-1981), THE KOREAN GOVERNMENT HAS PLACED PARTICULAR
EMPHASIS ON DEVELOPMENT OF THE MACHINERY INDUSTRY. TOTAL
INVESTMENT IN THE MACHINERY INDUSTRY SECTOR DURING THE
FIVE YEAR PERIOD IS ESTIMATED AT \$1.39 BILLION, WITH
PRODUCTION FOR EXPORT A PRINCIPAL AIM. EXPORTS HAVE BEEN,
AND WILL CONTINUE TO BE THE PRINCIPAL BASIS OF KOREA'S
RAPID ECONOMIC ADVANCEMENT, ALTHOUGH THE DOMESTIC SECTOR
IS BEING GIVEN INCREASING EMPHASIS. THERE IS AN AWARENESS
THAT, BECAUSE OF PROTECTIONISM AND GROWING COMPETITION
ABROAD, TOGETHER WITH RISING LABOR AND OTHER DOMESTIC
COSTS, KOREA WILL BE UNABLE TO MAINTAIN ITS EXPORT
MOMENTUM BY DEPENDING MAINLY ON THE PRODUCTION OF SUCH
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SOFTWARE AS TEXTILES AND FOOTWEAR. INSTEAD, GREATER
STRESS WILL BE PLACED ON THE PRODUCTION OF MORE SOPHISTICATED
PRODUCTS, AND MODERN MACHINE TOOLS WILL HAVE TO PLAY
AN IMPORTANT PART. IN ADDITION, METALWORKING AND FINISHING
MACHINERY WILL INCREASINGLY BE REQUIRED TO PRODUCE GOODS
FOR THE EXPANDING DOMESTIC MARKET. ALSO, THERE IS INCREASING
STRESS ON GREATER SELF-SUFFICIENCY IN THE DEFENSE INDUSTRIES,

INCLUDING PRODUCTION OF HEAVY ARMAMENTS, REQURING THE USE OF SOPHISTICATED MACHINE TOOLS. MUCH OF ITS PRODUCTION CAPACITY WILL BE ENCOMPASSED IN SUCH INDUSTRIAL ESTIMATES AS THE CHANGWON COMPLEX WHICH, BY 1981, WILL INCLUDE OVER 100 SEPARATE LARGE FACTORIES AND WILL BE THE LARGEST INDUSTRIAL COMPLEX OF ITS KIND IN THE WORLD. OTHER SUCH COMPLEXES ARE BEING PLANNED OR DEVELOPED. ALTHOUGH KOREA IS DEVELOPING A CAPABILITY OF PRODUCING LESS SOPHISTICATED MACHINE TOOLS, MOST WILL HAVE TO BE IMPORTED FOR SOME TIME TO COME. AMERICAN MANUFACTURERS HAVE BEEN MISSING THE BOAT IN KOREA SALES; DEMAND FOR SUCH EQUIPMENT ROSE FROM \$111 MILLION IN 1974 TO \$280 MILLION IN 1977, AND SHOULD REACH \$533 MILLION IN 1981. LAST YEAR, IMPORTS SUPPLIED ABOUT 70 PERCENT OF THE MARKET, BUT ONLY 12 PERCENT OF IMPORTS CAME FROM THE U.S.

2) CONSTRUCTION AND MATERIALS HANDLING EQUIPMENT.
PRIORITY: 5. THIS CAMPAIGN WAS GIVEN HIGH PRIORITY IN BOTH THE FY-78 AND FY-79 CCP'S. IT DESERVES CONTINUED HIGH RANKING. EXPANSION AND DEVELOPMENT IN SUCH SECTORS AS WATER RESOURCES, COAL MINING AND PORT AND CARGO HANDLING FACILITIES, INCLUDED IN THE CURRENT FIVE YEAR PLAN, WILL CONTINUE TO PROVIDE U.S. SUPPLIERS A WISE RANGE OF OPPORTUNITIES. PLANNED PORT CONSTRUCTION ALONE OFFERS TREMENDOUS OPPORTUNITIES FOR U.S. SUPPLIERS OF UNCLASSIFIED

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RELATED EQUIPMENT: BY 1981, THE END OF THE CURRENT FIVE YEAR PLAN, CARGO HANDLING CAPACITY IN KOREAN PORTS SHOULD BE EXPANDED FROM THE PRESENT 41 MILLION TONS PER YEAR TO ABOUT 93 MILLION TONS, BUT THE COUNTRY'S EXPORTS ARE PROJECTED TO INCREASE FROM ABOUT \$10 BILLION IN 1977 TO ABOUT \$20 BILLION IN 1981. IN ADDITION, NEW INDUSTRIAL ESTATES ARE PLANNED--WITH 4,000 INDIVIDUAL PLANTS SCHEDULED TO BE RELOCATED FROM SEOUL BETWEEN 1979 AND 1986--AS WELL AS NUMEROUS MAJOR POWER PLANTS AT VARIOUS SITES IN THE COUNTRY, NEW APARTMENTS, SUBWAYS, HOTELS, AND ARCADES IN SEOUL AND OTHER MAJOR CITIES. AS KOREA CONTINUES ITS RAPID INDUSTRIAL DEVELOPMENT, THE NEED FOR CONSTRUCTION AND MATERIALS HANDLING EQUIPMENT WILL BE AN IMPORTANT AND INEVITABLE ADJUNCT. IN ADDITION, KOREAN OVERSEAS CONSTRUCTION, ESPECIALLY IN THE MIDDLE EAST, IS ECPECTED TO DEVELOP AND BECOME MORE ADVANCED, WHICH WILL INVOLVE THE PROCUREMENT OF MULTI-MILLION DOLLARS WORTH OF EQUIPMENT. THERE IS A GROWING SHORTAGE IN LABOR SUPPLY, AND LABOR COSTS ARE RISING. THERE WILL THUS BE INCREASED EMPHASIS ON PURCHASING TECHNOLOGICALLY ADVANCED CONSTRUCTION AND MATERIALS HANDLING EQUIPMENT.

3) ENERGY SYSTEMS. PRIORITY: 6.

AS KOREA'S INDUSTRIAL EXPANSION CONTINUES, AS WELL AS PRIVATE CONSUMER DEMAND FOR ELECTRICITY, THERE WILL BE AN EVER-INCREASING DEMAND FOR ENERGY, AND FOR THE CONTINUED CONSTRUCTION OF POWER PLANTS, THERMO, HYDRO AND NUCLEAR. PRESENT PLANNING IS TO INCREASE THE COUNTRY'S GENERATING CAPACITY FROM THE CURRENT 4,810 MW TO 10,427 MW BY 1981, AND CONSIDERABLY GREATER EXPANSION WILL BE REQUIRED THEREAFTER. THE COUNTRY'S FIRST NUCLEAR POWER PLANT IS ALREADY IN OPERATION, OTHERS ARE NOW BEING CONSTRUCTED AND BIDS ARE OUT FOR OTHERS. NUMEROUS ADDITIONAL NUCLEAR PLANTS ARE CONTEMPLATED, AND AMERICAN SUPPLIERS ENJOY PARTICULARLY HIGH REPUTE. IN ADDITION, VARIOUS COAL-FIRED OR OIL-FIRED THERMAL PLANTS ARE CONTEMPLATED, AS WELL AS A LARGE NUMBER

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OF SMALLER HYDROPOWER PLANTS. U.S. COMPANIES ABLE AND PREPARED TO CONTRIBUTE TO LOCALIZATION OF PRODUCTION, IN CONJUNCTION WITH KOREAN PARTNERS WILL HAVE AN ADVANTAGE. KOREA IS ALSO BECOMING MORE AND MORE INTERESTED IN THE POSSIBILITIES OF SOLAR ENERGY, WITH A SOLAR ENERGY RESEARCH INSTITUTE HAVING RECENTLY BEEN ESTABLISHED BY THE KOREAN

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UNCLAS SECTION 2 OF 2 SEOUL 6555

C O R R E C T E D C O P Y (SECTION INFO)

INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST), WITH A RESPECTABLE BUDGET, WHICH COULD PROVIDE U.S. COMPANIES, INCLUDING THOSE WITH TECHNOLOGY IN SOLAR HEATING, THE

CHANCE TO GET IN ON THE GROUND FLOOR.

4) PROCESS CONTROL EQUIPMENT AND INSTRUMENTATION. PRIORITY: 8.
EMBASSY PROPOSES NO CHANGE IN THE "OBJECTIVE AND RATIONALE"
FOR THIS CAMPAIGN IN THE FY-1979 CCP, WHICH REMAINS VALID.

5) SCIENTIFIC AND LABORATORY INSTRUMENTATION. PRIORITY: 12.
SOME GOVERNMENT OFFICIALS HAVE EXPRESSED THE VIEW THAT
PRIVATE KOREAN SHOULD INVEST MORE THAN THEY HAVE
IN THE PAST IN BASIC RESEARCH AND DEVELOPMENT (R&D), IF
THE COUNTRY IS TO REMAIN COMPETITIVE IN WORLD MARKETS,
RATHER THAN DEPENDING ON THE APPLIED R&D IT HAS ACQUIRED
IN THE PAST, THROUGH LICENSING AGREEMENTS, ETC. THE RELATIVE
EASE OF PURCHASING SUCH TECHNOLOGY WILL RETARD THIS DEVELOPMENT,
BUT, IN ANY EVENT, KOREA IS AIMING AT THE CREATION OF AN
INDIGENOUS R & D CAPABILITY WHICH WILL ENTAIL THE ESTABLISHMENT
OF MORE SOPHISTICATED LABORATORIES IN VARIOUS FIELDS. BY THE
SAME TOKEN, IT IS GOING TO BECOME INCREASINGLY NECESSARY FOR
KOREAN MANUFACTURERS TO BE MORE CONCERNED THAN THEY HAVE IN
THE PAST ABOUT QUALITY CONTROL IF THEY ARE TO MEET WORLD COMPE-
TITION. U.S. INSTRUMENTATION ENJOYS AN EXCELLENT REPUTATION AND
LOCAL PRODUCTION OF INSTRUMENTS IS STILL IN ITS INFANCY.

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6) COMPUTERS AND PERIPHERAL EQUIPMENT. PRIORITY: 13.
OBJECTIVE AND RATIONALE SUBSTANTIALLY SAME AS IN FY-79 CCP
BUT SUBJECT TO SOME MODIFICATION DURING FUTURE MONTHS.
ADD FOLLOWING SENTENCE: PARTICULAR EFFORTS WILL BE MADE TO
GET PERMISSION FOR GREATER SALE RATHER THAN LEASING OF
COMPUTERS AND EQUIPMENT BY U.S. SUPPLIERS.

SECTION IV. SPECIAL POST EFFORTS

ACTIVITY NO. 1. ENCOURAGE EASING OF KOREAN IMPORT BARRIERS.
PRIORITY: 2 THE KOREAN GOVERNMENT IS BECOMING INCREASEINGLY
AWARE OF THE NEED TO LIBERALIZE IMPORTS, AS A MEANS TO HELP
CONTROL INFLATION AND AS PART OF ITS PROPER INTERNATIONAL
ROLE AS IT ACHIEVES A MORE ADVANCED INDUSTRIALIZED STATUS.
AN IMPORT LIBERALIZATION PROGRAM IS ALREADY IN PROGRESS AND
WE SHOULD LOSE NO OPPORTUNITY TO TRY TO ASSURE THE MOMENTUM
IS NOT LOST BY EHLPING TO INFLUENCE ROKG POLICY TOWARD THE
CONTINUED DEVELOPMENT OF A WELL-ORDERED IMPORT PROGRAM
WHICH PROVIDES FOR BALANCED U.S.-KOREAN TRADE IN WHICH
U.S. GOODS CAN COMPETE IN AN INCREASINGLY WIDE NUMBER OF SECTORS.

ACTIVITY NO. 2. MAJOR PROGESTS/PRODUCTS. PRIORITY: 4.
NO SUBSTANTIVE CHANGES FROM DESCRIPTION/ JUSTIFICATION IN
FY-79 CCP, BUT TO BE MODIFIED ACCORDING TO FUTURE DEVELOPMENTS.

ACTIVITY NO. 3. TRADE CENTER EVENT SUPPORT. PRIORITY : 3.
NO CHANGE IN DESCRIPTION/JUSTIFICATION FROM FY-79 CCP.

ACTIVITY NO. 4. MARKET RESEARCH. PRIORITY: 7.

NO CHANGE IN DESCRIPTION/JUSTIFICATION FROM FY-79 CCP.

ACTIVITY NO. 5. EMPHASIZE ADVANCED TECHNOLOGICAL
CONTENT OF U.S. PRODUCTS. PRIORITY: 8

IN AN INCREASINGLY LEAGE NUMBER OF INDUSTRIAL SECTORS,
THE SUPERIOR TECHNOLOGICAL CONTENT AND CAPABILITIES
OF THE PRODUCT WILL BE THE KEY FACTOR TO MAKING SALES
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AS KOREA'S INDUSTRY BECOMES MORE SOPHISTICATED.

EMPHASIZE ADVANCED TECHNOLOGY OF U.S. PRODUCTS AND PROCESSES
IN TRADE CENTER CAMPAIGNES AND IN MEETINGS WITH
KOREAN GOVERNMENT AND BUSINESS LEADERS. ALSO, SEEK
OUT LICENSING OPPORTUNITIES AND ENCOURAGE U.S. SUPPLIERS
WITH TECHNICAL KNOW-HOW TO INVESTIGATE ADVANTAGES OF
ENTERING INTO LICENSING AGREEMENTS.

ACTIVITY NO. 6. FACILITATE U.S. INVESTMENT. PRIORITY: 11.

NO CHANGE FROM FY-79 CCP.

ACTIVITY NO. 7. TRADE OPPORTUNITIES REPORTING. PRIORITY: 10.

NO CHANGE FROM FY-79 CCP.

ACTIVITY NO. 8. IMPROVE COMMERCIAL LIBRARY SERVIES IN SEOUL,
PUSAN, TAEGU AND KWANGJU. PRIORITY: 9.

THE COMMERCIAL LIBRARY SERVICES IN SEOUL AND THE COMMERCIAL
SECTION OF THE USICA LIBRARY IN PUSAN ARE BOTH HEAVILY
USED, AND THOSE AT TAEGU AND KWANGJU MAY BE EXPECTED TO
RECEIVE AN INCREASED FLOW OF BUSINESS VISITORS, AS KOREA'S
REGIONAL INDUSTRIALIZATION EXPANDS. AS IMPORT LIBERALIZATION
PROGRESSES, AND WITH YEN APPRECIATION MAKING JAPANESE GOODS
LESS COMPETITIVE, THERE IS LIKELY TO BE AN EVEN GREATER
NUMBER OF LOCAL IMPORTERS SEEKING U.S. SOURCES OF SUPPLY.

WE SHOULD CONTINUE TO IMPROVE, PHYSICALLY AND OPERATIONALLY,
THE COMMERCIAL LIBRARY SERVICES AT ALL POSTS IN KOREA,
TO MEET THESE GROWING NEEDS.

ACTIVITY NO. 9. FOREIGN TRADERS INDEX. PRIORITY: 14.

NO CHANGE FROM FY-79 CCP.

ACTIVITY NO. 10. FOREIGN BUYER PROGRAM. PRIORITY: 15.

NO CHANGE FROM FY-79 CCP.

ACTIVITY NO. 11. IMPROVE LIAISON WITH KOREAN BUSINESS
COMMUNITY. PRIORITY: 16

NO CHANGE FROM FY-79.

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